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No. 2843

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

MOORE FILTER COMPANY (a corporation),
Plaintiff in Error,

vs.

J. L. TAUGHER,
Defendant in Error.

BRIEF FOR PLAINTIFF IN ERROR.

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By.....Deputy Clerk.

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Before entering into a discussion of the merits of this cause we call to the attention of this court a remarkable condition of affairs. Defendant in error, Taugher, has obtained judgment in the District Court for the Northern District of California, against plaintiff in error, a Maine corporation with its place of business in New York, upon substituted service made upon one who was and is a rival in business of plaintiff in error, one who was the witness relied upon by defendant in error to prove his case, and one whose relations with plaintiff in error were not friendly at the time of service and trial. If the judgment rendered has been due to

false testimony, this court can grant no redress. On the other hand, if errors of law have been committed, it is plaintiff's right to seek and this court's duty to grant relief.

The facts show that plaintiff in error is a nonresident of this district; that the implied contract for the alleged services, if made at all, was made without the State of California; and that the services, if performed at all, were performed without the State of California.

It is a rule of law, the last enunciation of which is Fry v. Denver etc. Co., 226 Fed. 893, that a federal court acquires no jurisdiction over a nonresident defendant on substituted service of process, where the acts complained of were performed or committed without the district wherein the suit is commenced. Plaintiff in error first presented this lack of jurisdiction at the time of the opening statement of defendant in error (Tr. pp. 31, 32). At that time, and in taking jurisdiction, the learned justice presiding expressed his reason for so doing in the following words:

> "I recognize that the plaintiff is in a critical situation here; his case is prepared for trial; a dismissal at this time would necessarily postpone the opportunity to have a trial until after the question of the correctness of my ruling would have been determined by the Court of Appeal. That might be a year hence. The evidence might be lost. I have considered the matter not only as it has been discussed here in the courtroom, but likewise in my chambers, and I am rather inclined to think that in view

> of the fact that it cannot hurt anybody to take the evidence in this case and let the jury pass upon the fact, and the question as to the jurisdiction of this court can be readily disposed of on a motion for a new trial or on an objection to judgment upon the verdict as it can be now. * * * You may go on with your evidence." (Reporter's notes, p. 14.)

Plaintiff in error renewed its objection to jurisdiction at the conclusion of the case of defendant in error which motion, like that previously made, was denied (Tr. p. 50). As both these specifications of error, viz., one and eight, deal with the same question, i. e., jurisdiction, and upon the same state of fact, they may be considered together.

Pages 31 and 32 of the transcript show that the reason given by the District Court for holding that it had jurisdiction was that plaintiff in error had included in its answer, by way of a counter claim arising out of the same transaction, an indebtedness in its favor and as against defendant in error to the amount of $7500.

This court must at all times bear in mind that the answer of plaintiff in error, both as to those portions thereof which deal with denials of defendant in error's case, as well as those that deal with said indebtedness of defendant in error to plaintiff in error, contains a reservation as to the jurisdiction. It is said in one place (Tr. p. 13):

> "Now comes the defendant, the Moore Filter Company, and without waiver of its objection that this Honorable Court has acquired and can lawfully exercise no jurisdiction over it

> or over the subject matter of this action, which said objections and the several benefits thereof are specifically reserved to it, and also specifically reserving all of its rights under motion to quash service of summons in this action heretofore made by it and denied by this court, makes answer and says."

In the other (Tr. p. 15):

> "Further answering the complaint of the plaintiff and each and every of the three causes of action therein set forth, saving and reserving, nevertheless, the objections and exceptions hereinbefore stated, and by way of counter claim, the defendant alleges."

Plaintiff in error is free to confess that it is the general rule that where one goes into a court and in addition to a denial of plaintiff's cause of action asks relief in his favor as against plaintiff, that he has by so doing invoked the jurisdiction of the court and cannot at a later date complain.

> Merchants Heat & Light Co. v Clow, 204 U. S. 286.

There are certain exceptions to the general rule and it is our contention that plaintiff in error comes within one of the same. Before entering into a discussion of the principles of law here involved, it is well to analyze the pleadings as set forth in the record before this court.

Defendant in error alleges by his complaint:

1. That he is a citizen of the State of California, residing in the City and County of San Francisco;

2. That plaintiff in error is a corporation existing under the laws of the State of Maine, and having its principal place of business in said state; that plaintiff in error has an agent in the City and County of San Francisco and does business therein;

3. That the amount in controversy exceeds the sum of $3000;

4. That at certain times, but not at certain places, save and except as herein stated, services were performed by him for the benefit of plaintiff in error.

Amongst these services is specified the obtaining of a judgment by confession for infringement of patent in favor of plaintiff in error and against Golden Cycle Mining Company. A copy of the decree was introduced in evidence (Tr. pp. 40 et seq.), and it appears therefrom that the confession of judgment was obtained in the District Court for the Southern District of West Virginia. Note, however, like the other items of service alleged, there is nothing to show by the bill of complaint as to where the service was performed.

As to this confession of judgment, it is further alleged that there was a special contract by which defendant in error was to be paid twenty per cent of all moneys recovered.

As above stated, the complaint in no place alleges the place of performance of the various services enumerated and nowhere in the complaint is there an allegation as to the time or place where any

contract, express or implied, for the payment of these services, was entered into, save and except that as to the confession of judgment against the Golden Cycle Company. A copy of this contract for compensation is attached to the complaint and contains, preceding the date, the words, "Colorado Springs, Colo.". Then follows in the complaint the enumeration of the services alleged to have been performed, which services plaintiff states to have been of the reasonable value of $26,100, no part of which has been paid except $10,000, paid under the special contract in connection with the Golden Cycle Mining Company, and the further sum of $2500, leaving a balance due of $13,600.

To the complaint plaintiff in error made answer denying performance of the services and then alleged "by way of counter claim" that at a certain time, while defendant in error was acting as its president, he caused it to pay him the sum of $12,500 in satisfaction of a pretended indebtedness; that at this time it was not, and was not at any other time, indebted to defendant in error in the sum of $12,500, but on the contrary that the total actual and bona fide indebtedness of the defendant to plaintiff upon all the lawful claims against it did not exceed the sum of $5000 in the aggregate; that "the matters hereinabove set forth arise out of the same transactions set forth in the complaint as the foundation of plaintiff's claim and are connected with the subject matter of this action; wherefore, the defendant prays judgment that the plain-

tiff take nothing and that the court give judgment against said plaintiff and in favor of said defendant in the sum of $7500, together with interest thereon."
* * *

As above stated, we concede the general rule as set forth in Merchants Heat & Light Co. v. Clow, supra. The Merchants case was decided under the laws of Illinois, and it is apparent that whatever was said by the court in reference to the effect of asserting a counter claim by a defendant must have been said in view of the Illinois statute. We are here dealing with a California case and we must consider the California law.

Section 439, C. C. P., reads:

> "If the defendant omits to set up a counter claim upon a cause of action arising out of the transaction set forth in the complaint as the foundation of plaintiff's claim, neither he nor his assignee can afterwards maintain an action against the plaintiff therefor."

Before entering into a discussion of the necessity on the part of counsel for plaintiff in error to set up by way of set off or counter claim the improper payment to himself by defendant in error of the sum of $7500, we make trespass upon the time of this court by reference to decisions of the Supreme Court of the State of California upon the law of this state as set offs and counter claims.

Machado v. Borges, 170 Cal. 501:

> "Plaintiff is *not* precluded from asserting his right of set off by his failure to set up his notes by way of counter claim in the suit brought

> against him by Borges. The mutual demands did *not* arise out of the same transaction, and cause of action on the notes was therefore *not* affected by the omission to make it the basis of a counterclaim."

Here we have the converse of the instant case. By argument, it follows that if plaintiff in error had failed to set up its set off or counter claim against defendant in error it would forever have lost its right to do so.

In Brosnan v. Kramer, 135 Cal. 36-40, it is said:

> "The provision of the code which bars a counter claim, unless set up in an action against the party in whose favor it exists, refers to a 'cause of action arising out of the same transaction set forth in the complaint, as the foundation of the plaintiff's claim or connected with the subject of the action.' (C. C. P., Sec. 438, sub. I, and Sec. 439.) Pomeroy on Remedies and Remedial Rights (page 802), in discussing the meaning of this provision of the code, said: 'Undoubtedly the codifiers and the legislature, in drawing and adopting the first subdivision, had in mind the doctrine of recoupment, and so framed the language that it should include cases of recoupment and all others, legal and equitable, analogous to it; that is, all cases in which the right of action of the plaintiff and that of the defendant arise from the same contract. * * * *The central idea of this subdivision, then, is that one and the same contract is the basis of both parties' demand for relief.*'"

This view, that is, that it is the one and same contract that is the demand for relief, and which contract we might say in passing came before the court by defendant in error's complaint, is sub-

stantiated by the opinion rendered in Lee v. Continental Ins. Co., 74 Fed. 424. The syllabus therein reads:

> "A counter claim of the class which defendant is required by legal statute to present in the original action on pain of being forever barred from making it (C. C. P. Utah, sec. 3228) is a part of the matter in dispute and is to be added to the amount sued for by plaintiff in determining the jurisdictional amount."

In the opinion of the Supreme Court of the State of California, rendered in Griswold v. Pieratt, 110 Cal. 259, the facts show that Griswold, as plaintiff, maintained an action against defendant for damages by reason of work improperly performed, which were alleged in an amount sufficient to give the superior court jurisdiction. Pieratt, the defendant, set up by way of set off or counter claim a certain draft that Griswold had drawn in his favor for an amount as to which the Justice Court had jurisdiction. The trial court gave judgment in favor of Pieratt and awarded him the amount of the set off claimed. In holding this was error, and in deciding that the set off or counter claim of less than three hundred dollars could not be availed of, because the draft held by Pieratt did *not* arise out of the same transaction, it is said:

> "Of course, what is here said on the subject of jurisdiction has no application to the counter claims provided for in the first subdivision of section 438 of the Code of Civil Procedure; the amount of the cross demand under that subdivision is of no moment for jurisdictional purposes; our remarks are to be understood

> as confined to the unconnected causes of action mentioned in the second subdivision of that section, and limited also to cases presenting the substantial features of the present. If the set off, less than three hundred dollars in amount, exclusive of interest, held by a defendant, is pleaded by him as purely defensive matter in reduction or extinguishment of the claim of plaintiff in an action triable by the superior court, it may well be that the court can properly entertain the same; such was the case of Hart v. Cooper, 44 Cal. 77. It is under the statute (C. C. P. 440) perhaps as much a matter of defense merely as would be a plea of payment of a like sum."
>
> Freeman v. Seitz, 126 Cal. 291.

This case again forcefully illustrates the rule in this state, viz., that it is the cause of action as set forth in plaintiff's complaint that gives or takes from the court jurisdiction. In the Freeman case plaintiff sought to recover for beef furnished to defendant to the value of $1500 odd.

> "The defendant answered and without denying any of the allegations of the complaint alleged as a *counter claim* that at the time of the commencement of the action the plaintiff was indebted to defendant in the sum of $110.89 for beef furnished by defendant to plaintiff at his request."

Plaintiff demurred to the complaint upon the ground that the court had no jurisdiction of the subject matter of the counter claim, the same being for less than $300. The court sustained the demurrer and defendant went up on appeal after refusal to amend. In holding that the demurrer was erroneously sustained, it is said:

"Our code (Code of Civ. Proc. sec. 437) provides that the answer of the defendant shall contain a statement of any new matter constituting a *defense or counter claim;* that (Code of Civ. Proc. sec. 438) 'in an action arising upon contract, any other cause of action arising upon contract and existing at the commencement of the action;' that (Code of Civ. Proc. sec. 440) 'when cross demands have existed between persons under such circumstances, that if one had brought an action against the other, a *counter claim* could have been set up, the two demands shall be deemed *compensated,* as far as they equal each other.' This action is one arising upon contract, and the counter claim is also one arising upon contract and existing at the commencement of the action, and is clearly within the provisions of the code above quoted. The law abhors a multiplicity of actions, and the evident intent of the legislature in passing the code provision was that all matters that may be the subject of litigation between the parties within the limitations prescribed shall be settled in one action. * * * Pomeroy on Remedies and Remedial Rights, section 730, in speaking of our code provision says: 'It is clear that if the plaintiff's action was on a contract and for a debt—for the more extended language of the statute prescribes only a debt—and the defendant held another debt due from plaintiff personally and existing in his own favor, and which did so exist at the commencement of the action, he could plead such demand as a set off.' And in section 795 the same author, in speaking of the Code of Civil Procedure says: 'This is substantially the definition of a set off given in the codes of the second group. The language of this clause plainly includes all cases of counter claim based on contracts when the plaintiff's cause of action is also on contract.''

In Gregory v. Diggs, 113 Cal. 196, we find the following state of facts:

Plaintiff purchased potatoes from defendant; plaintiff paid the purchase price except $132. For this sum defendant brought action against plaintiff in the Justice Court; plaintiff (defendant in the Justice Court) set up a counter claim for $525, alleging breach of warranty. This plea was stricken out by the justice on the ground that he had no jurisdiction, the demand being for more than $300. Plaintiff then brought his suit in the Superior Court, asking that the justice be enjoined from proceeding with the case pending before him and that the entire matter be litigated in the Superior Court. The Superior Court refused to grant the injunction and plaintiff took an appeal. In reversing the order of the Superior Court refusing to grant the injunction, it is said:

> "In the complaint plaintiff claims damage in the sum of $525 for the alleged violation of the contract of sale, and if their right to an injunction is sustained, the effect will be to compel the plaintiff in the Justice's Court to plead his demand in the Superior Court as a counter claim and to permit the whole controversy to be tried there. * * * If the *counter claim* sought to be set up did not grow out of the same transaction and did not involve a trial and determination of the same precise issue, so that determination of one case could be pleaded as a bar to the other, the case would be different."

With the code of California and these decisions of the Supreme Court of California before him,

could learned counsel for plaintiff in error have done aught but assert, by answer, in addition to his denial of defendant in error's cause of action, his second defense, viz., his right of set off or counter claim?

Conceding for argument's sake that the cause of action as stated by defendant in error was with merit, and that the sole defense of plaintiff in error was that of his set off or counter claim, we ask this court to consider, where would plaintiff in error have stood after the judgment in the action at bar had become final? He could not have succeeded in a suit on the set off or counter claim for the answer would have at once been the above quoted section 439 of our Code of Civil Procedure. In other words, plaintiff in error was placed in this dilemma. He, himself, knew that the district court, by reason of the substituted service, was without jurisdiction. The failure of jurisdiction did not, however, appear upon the face of the complaint and a demurrer would have been unavailing. Plaintiff in error was therefore forced to elect, *not voluntarily, but under compulsion,* by reason of the law of this state, to either assert its set off or counter claim and thereby be met with the objection made in the District Court, or at its peril fail to plead the set off or counter claim and take the consequences. In this connection we call to the attention of the court that defendant in error, Taugher, alleged himself to be a citizen of this state and a resident thereof. The action was

brought in the District Court of the United States of this district and therefore the provisions of said section 437, C. C. P., undoubtedly apply in the instant case. Not only this, but any subsequent action by plaintiff in error against Taugher would have to be brought in the state or federal courts here.

A situation analogous to that presented here is found in Fry v. Denver etc. Co., supra. There the want of jurisdiction appeared upon the face of the complaint. Objection to jurisdiction was presented by demurrer which included, in addition to want of jurisdiction, certain grounds which went to the merits of the pleading. The portion of the opinion in the Fry case germane to the situation here reads as follows:

> "It is urged that defendant should be held to have waived its objection by coupling with it other grounds of demurrer invoking the exercise of jurisdiction within the principles of Western etc. Co. v. Butte etc. Co., 210 U. S. 368. The (California) Code of Civil Procedure, section 430, provides various grounds of objection to a complaint which must by express requirement be taken if at all by demurrer where they appear on the face of the pleading. The first is 'that the court has no jurisdiction of the person of the defendant or subject of the action,' followed by others going to both substance and form. No other mode is provided for raising these objections. The defendant's demurrer conforming to these requirements opens with the objection to jurisdiction and then in order doubtless that that may not be waived should his objection fail, includes others. *It would be a harsh rule under such a pro-*

cedure to hold that where a party desires to raise the objection of want of jurisdiction he must to avoid being held to have made a general appearance, take the hazard of the sufficiency of that objection by waiving all others; for the code does not contemplate dividing up the grounds of demurrer piece-meal. The several grounds relied on must all be stated in the same pleading. There is no provision to be found in the statutes of this state similar to that of section 1820 of the Montana code involved in the Western Loan Company case; and I don't think, therefore, that the same rule of waiver can justly obtain against the defendant as was there invoked. York Co. v. Abbott, 139 Fed. 988."

The material portion of the York case referred to in the above quotation from Fry v. Denver etc. Co., supra, reads:

"After the motion to dismiss was refused Abbott demurred, as we have said, but in the demurrer she stated that she appeared specially for the purpose, did not submit to the jurisdiction of the court, and did not waive her objection to the jurisdiction theretofore taken by her motion to dismiss and she added that she expressly insisted on that objection. Inasmuch as she first appeared to move to dismiss and the motion to dismiss was refused, a subsequent appearance by her on demurrer cannot be regarded as *voluntary* and must be held to have been *forced* by the refusal to dismiss, so that thereby her motion to dismiss was not waived. Her appearance was not an appearance within the meaning of the eighth section of the act of March 3rd, 1875, and all questions of jurisdiction which might have been raised under the motion to dismiss are now available as of the time of that motion. All this was

fully settled in Southern Pacific Co. v. Denton, 146 U. S. 202, 204, 206, where a series of proceedings occurred precisely like those at bar."

In Central etc. Exchange v. Board of Trade, 125 Fed. 463, 469, it is said:

"It is indeed said by some courts that one objecting to the jurisdiction of the court must keep out of the court except to object to its jurisdiction and that an appeal from a judgment is a general appearance to the action. (Authorities.) This doctrine has not, however, obtained in the federal courts. It is true a party 'may not in the same breath dispute the merits of a cause alleged against him and deny the jurisdiction of the court over his person,' (Crawford v. Foster, 84 Fed. 939) but when a party appears specially to object to the jurisdiction or to move to set aside the service of process, he is deemed not to have waived the illegality of the service if after such motion is denied he answers to the merits. *Such illegality in the service is waived only when without having insisted upon it he pleads in the first instance to the merits.* In Harkness v. Hyde, 98 Fed. 476, it is said: 'Illegality in a proceeding by which jurisdiction is to be obtained is in no case waived by the appearance of the defendant for the purpose of calling the attention of the court to such irregularity, nor is the objection waived when being urged it is overruled and the defendant is thereby *compelled* to answer. He is not considered as abandoning his objection because he does not submit to further proceedings without contest. It is only where he pleads to the merits in the first instance without insisting upon the illegality that the objection is deemed to be waived."

As has been heretofore stated, plaintiff in error objected to the jurisdiction of the court at the time of the opening statement of counsel for defendant in error, and again at the close of his case and also the opening paragraph of his pleading is an objection to jurisdiction. But there could be no opening statement of counsel and no case on the part of defendant in error without an answer, and, as heretofore stated, answer was necessary for the want of jurisdiction was not disclosed upon the face of the complaint. Plaintiff in error did all that it could when, and as a preamble to pleading its defense of set off or counter claim, it did so "without waiver of its objection that this honorable court had acquired and can lawfully exercise no jurisdiction over it or over the subject matter of this action, which said objections and the several benefits thereof are specifically reserved to it."

Plaintiff in error made its objection to jurisdiction at the first available moment. We cite:

Lehigh etc. Co. v. Washko, 231 Fed. 42,

wherein it was held that the objection that the court had no jurisdiction by reason of the fact that plaintiff was an alien rather than a citizen (the action being brought in the district wherein the plaintiff resided) was not waived by a failure on the part of defendant to delay presentation of the objection to jurisdiction until it appeared at the time of trial that plaintiff was in fact an alien.

In Merchants Heat etc. Co. v. Clow, supra, it is said:

"We assume that defendant lost no right by pleading to the merits as required after saving his rights."

Citing

Harkness v. Hyde and Southern Pacific Co. v. Denton.

The Merchants Heat Co. case was cited by defendant in error in its motion for affirmance of judgment, heretofore made to this court and denied. The application of the case lies in the fact that, like in the instant case, the defendant in that action pleaded "a recoupment or set off of damage under the same contract and overcharges in excess of the amount ultimately found due to the plaintiff," and that the Supreme Court held that by so doing it, defendant had invoked the jurisdiction of the court and could not, after judgment passed against it, assert a failure of jurisdiction.

At first blush the Merchants Heat case would seem to be against plaintiff in error. In reality it is a case which supports the views of law hereinbefore presented. To illustrate:

It is said in the opinion:

"The authorities agree that he is not concluded by the judgment if he does not plead his cross demand; that whether he shall do so or not is left wholly to his choice. (Authorities.) *This single fact shows that the defendant, if he elects to sue upon his claim in the action against him, assumes the position of an actor and must take the consequences.* The right to do so is of modern growth and is merely a

convenience that saves bringing another suit, *not a necessity of the defense.*"

In this state, to paraphrase the language of the Supreme Court, the rule would be:

> "The authorities agree that he is concluded by the judgment if he does not plead his cross demand and that whether he do so or not is not left wholly to his choice. *This single fact shows that the defendant, if he elects to sue upon his claim in the action against him, does not assume the position of an actor, and if he does not do so he must take the consequences.*"

The Merchants Heat case arose in the Northern District of Illinois. The statutes of Illinois were before the court, and for the convenience of this court we quote the same:

> "Section 30. Set off (Sect. 29) The defendant in any action brought upon any contract or agreement, either express or implied, having claims or demands against the plaintiff in such action, may plead the same or give notice thereof under the general issue or under the plea of payment, and the same or such part thereof as the defendant shall prove on trial shall be set off and allowed against the plaintiff's demand, and a verdict shall be given for the balance due, and if it shall appear that plaintiff is indebted to the defendant the jury shall find a verdict for the defendant and certify to the court to the amount so found, and the court shall give judgment in favor of such defendant with the costs of his defense. If the cause be tried by the court the findings and judgment shall be in like manner."

The distinction between the Illinois statute and the California statute is patent. In the former the

defendant in any action brought upon contract, express or implied, having claims, of any kind, whether upon contract or not, may plead the same. In California the statute reads:

> "A cause of action arising out of the transaction set forth in the complaint as a foundation of the defendant's claim or connected with the subject of the action." (Subd. I, sec. 438, C. C. P.)

The closing paragraph of the opinion in Merchants Heat & Light case reads:

> "As we have said, there is no question at the present day that by an answer in recoupment the defendant makes himself an actor and to the extent of his claim a cross plaintiff in the suit."

Citing

> Kelly v. Garrett, 6 Ill. 649;
> Ellis v. Cothran, 117 Ill. 458;
> Cox v. Jordan, 68 Ill. 560-565.

An examination of these three Illinois cases will show that the Supreme Court but followed the decision of the Illinois courts upon an Illinois statute. In Kelly v. Garrett it said:

> "In pleading a set off the defendant as to it assumes the attitude of a plaintiff and is bound to prove in relation to it the same facts as if he had instituted his action upon it."

Like language is found in the case of Cox v. Jordan, supra, and Ellis v. Cothran, supra.

As to Merchants Heat & Light Co. v. Clow, supra, it is respectfully submitted that the decision turns

upon the statutes of Illinois and upon the decisions of the courts of last resort of that state in reference thereto, or at best, the case deals with but the general rule, the exception being in states like ours wherein the statute makes *compulsory* the pleading of the counter claim or set off and does not leave to the litigant the option of pleading or not pleading the same as to his judgment seems advisable.

Reverting again to the opinion in the Merchants Heat case, we find the Supreme Court saying:

> "There is some difference in the decisions as to *when* a defendant becomes so far an actor as to submit to the jurisdiction, but we are aware of none to the proposition that when he does become an actor *in a proper sense* he submits."

We have no quarrel with this rule of law, but we do contend:

(a) That the pleading of set off or counter claim by *answer* is not invoking the jurisdiction of a court and that when one so does he is not of necessity an actor; and

(b) That this is especially true when the defendant does not plead the same of his own volition but under *compulsion* and by reason of a statute which provides that unless he so do his rights shall be forever barred.

The distinction between the decisions of courts of California and those of Illinois lies in this: In California it is held, under subdivision one of section 438, Code of Civil Procedure, that when the

set off or counter claim arises out of the same transaction, it is the transaction or cause of action itself, and the failure on the part of the defendant to set up any defense that he may have to the cause of action, and arising out of the same transaction, like, for example, payment or set off, prevents him forever and a day from again litigating the *"same transaction"*. It is his duty to assert whatever defense he knows of, and if he fails to so do he cannot modify the judgment against him by maintaining a second suit upon a matter which it was his duty to have pleaded as a defense. Under no other theory can those decisions of the Supreme Court of this state that permit the pleading of and trying in a superior court of counter claims of less than three hundred dollars be upheld. If the counter claim or set off be a separate transaction, a transaction under which the one asserting it becomes an actor, how or in what way, we ask this court, can it be said that the superior courts of this state can take jurisdiction of a demand when the same is of less than three hundred dollars in value?

In Illinois the contrary rule exists. There a suit can be brought upon a promissory note and as against the prayer for relief the defendant can assert a claim arising for goods sold or services performed. The very statute which permits the setting up of a cross demand arising out of an entirely different transaction, a transaction as to which an action could be maintained by defendant irrespective of whether or no judgment passed for

or against him in the action first brought, explains the Illinois rule, and to the effect that as to this cross demand the one asserting it becomes an actor.

ASSIGNMENT OF ERRORS SIX AND SEVEN.

Before discussing the above assignment of errors, it becomes necessary to digress and call to the attention of the court certain portions of the pleadings in this case.

Defendant in error alleges in his complaint, and as part of the services performed, the following: Services rendered in and about and in connection with negotiations for the settlement of certain claims of the Moore Filter Company against the Golden Cycle Mining Company * * * which negotiations finally determined in a payment by the Golden Cycle to the Moore Company of $50,000 damages for infringement of such patent rights; and a confession of judgment of infringement thereof and the granting and conveying of certain other valuable considerations by the Golden Cycle to the Moore Company.

An analysis of this allegation will show an allegation of the performance of services of three kinds: First, the collection of $50,000 for damages for infringement of patent; second, a confession of judgment for infringement, and third, the granting and conveying of certain valuable concessions by the Golden Cycle to the Moore Company.

The complaint, after alleging the foregoing, proceeds to charge that plaintiff and defendant entered into a special contract relating to remuneration for services in relation to the claim of the Moore Company against the Golden Cycle, which contract is attached to and made a part of the complaint, and wherein it is alleged that Taugher was "entitled to receive, hold and have for his own use and benefit, for his services in connection therewith, twenty per cent of all moneys agreed to be paid and paid to the Moore Filter Company by the Golden Cycle Mining Company by way of settlement and compromise of such claims".

The complaint proceeds to allege further, that Taugher performed other valuable services in connection with the claim of the Moore Company against the Golden Cycle, and that the Golden Cycle rendered "certain other valuable considerations to the Moore Filter Company through the efforts and services of the plaintiff, for which services the defendant, the Moore Filter Company, is still indebted to plaintiff".

Taking up directly the assignment of errors, we find the witness Oliver testifying that he was engaged in the business of manufacturing and selling filters for cyanide process; that he had a general idea of the patent situation in the United States relating to filters; that he knew of the settlement with the Cycle Mining Company for $50,000; that it was announced in the technical journals. The record (page 46) shows the following:

"Mr. BLAKE (counsel for Taugher). Would you consider that the procuring and entry of that judgment against the Golden Cycle Mining Company in the United States Circuit Court for the Northern District of West Virginia, that being a district other than the third circuit, would be of value to the Moore Filter Company in making settlement with other infringers of the process of the Moore Filter Company in various parts of America and elsewhere?

"Mr. ROSENSHINE (counsel for plaintiff in error). We object to the question on the ground that Mr. Oliver is not competent to pass on the value of a confession judgment and also on the further ground that it is incompetent."

(Later follows exception.)

Following this there appears a discussion by counsel, and then:

"The COURT. The question includes more than that. If that is your objection alone I think it would not be good. What counsel is really asking you, Mr. Oliver, is this in substance: Whether from your knowledge of the business you would consider that a second adjudication of the validity of a patent where the patent had given rise to litigation growing out of infringements would be of value to one owning the patent in making further settlement with parties who had infringed the patent.

The WITNESS. Yes, I believe it would be of very vital importance for this reason, that every one who had experience in patent matters knows that an adjudication in one circuit means nothing more than the right to go and fight it out in some other circuit, because it is never final; whereas, if you get it in two circuits, the chances are very much better for a complete settlement of the case.

Mr. BLAKE. What value in your judgment was the confession of judgment to the Moore Filter Company?

Mr. ROSENSHINE. The same objection.

Mr. BLAKE (continuing). If the Moore Filter Company had made reasonable use of it in its negotiations and dealings with other mining companies that were infringers of its patents."

To this question on the part of counsel the witness Oliver made reply:

"It is a difficult matter to put in dollars and cents. It came at the psychological moment. The Moore Filter Company had won its suit against the Tonopah Belmont in another circuit and this was the first settlement that was made—the first large settlement they had gotten from infringers. The Tonopah Belmont case was still in court awaiting a judgment—waiting for the accounting—they had won the case.

The COURT. They had gotten the decree?

Answer. They had gotten the decree and were waiting for the accounting. This other was going on just at that time and getting an actual cash settlement meant a good deal to the outside world. They could see that if they did infringe the charges were pretty slim of their winning out."

It is urged here that the permitting of the witness to testify as to what he would consider the value to the Moore Company of the procuring and entry of a judgment against the Cycle Company, and in permitting the witness to testify directly to the question, "What value in your judgment was the confession of judgment?" was error in several ways.

First. It was permitting the witness to testify as to a matter immaterial to the issues as framed.

Second. The question was immaterial from another viewpoint. Taugher had been paid ten thousand dollars for these services and it was so alleged in the complaint (Tr. p. 5).

Third. The witness Oliver, when permitted to give a statement as to what in his judgment was the value of the confession judgment, obtained against the Cycle Company, was called upon to testify as an expert and upon a subject as to which he had no special knowledge.

Fourth. And finally, it was error to permit an expression of opinion as to value, for by permitting the witness to give his opinion there was taken from the jury the very issue that they were called upon to try, viz., the value of Taugher's services.

It is the theory of defendant in error, as conveyed by the question asked by Mr. Blake (Tr. p. 46), and the reason given by the court in permitting the answer (Tr. p. 47) that the obtaining of a second judgment even though by confession in a district different from that in which the first judgment for infringement had been obtained, viz., that against the Tonopah Belmont Company, made this second decree in some way of greater value to the Moore Company than it would have been if it had been the first decree obtained. This curious form of value is evident by the answer given by the witness, which answer could not have failed to have

impressed the jury to a degree disadvantageous to plaintiff in error. The answer reads (Tr. p. 47):

> "Yes, I believe it would be of very vital importance for this reason, that every one who has had an experience in patent matters knows that an adjudication in one circuit means nothing more than the right to go and fight it out in some other circuit, because it is never final, whereas if you get it in two circuits, the chances are very much better for a complete settlement of the case."

As to this portion of our discussion we must keep in mind the fact that Taugher is seeking compensation for services performed by him and that the measure thereof is not what the result thereof may bring to the plaintiff in error, but rather what Mr. Taugher is entitled to for his work done. To illustrate: If the writer herein should go to a tailor of experience and order a suit of clothes, the tailor would be entitled to receive for his work just what he would charge for like clothing for the average individual. The fact that the writer desired to appear particularly well for the purpose, perhaps, of taking his wife to the theatre, would be no reason why the tailor should charge him more for his work than he would have charged for clothes to be worn in the business world. Again, would it make any difference to the tailor that the clothes were for persons of distinction, like the members of this court rather than for an individual of mediocre ability?

It follows, therefore, that the question of whether or no this was the second judgment obtained on an

infringement, and therefore of possibly more potential value in settling claims of infringers, does not concern the issue, i. e., what defendant in error should receive as compensation for his services. If the theory of the learned trial judge be correct, a fifth judgment in a court of competent jurisdiction would be more valuable than a third, and so on until possibly the last judgment of infringement would be so valuable that one need but practice one case in his lifetime.

It cannot be said herein that the error was harmless, for certainly there was conveyed to the minds of the jury the thought that this judgment was of great strategic value and that by obtaining the same plaintiff in error had achieved a victory of a kind which meant a rushing for settlement by all infringers of the patent—a case of "Don't shoot, Kit, I'll come down".

As heretofore stated, defendant in error had been compensated for his services in connection with the Golden Cycle claim. The pleadings so allege, and to permit evidence as to services for which Taugher had been paid could not but confuse the jury, for how could they, without the pleadings before them, distinguish between services performed and paid for and those performed and not paid for? In short, in assessing the value of the services they must have of necessity taken into consideration the work done under the Golden Cycle claim paid for as aforesaid.

It is further submitted that when the witness Oliver was permitted to give a statement as to what in his judgment was the value of the confession judgment, he was giving an opinion upon a matter as to which he was not qualified. This court readily appreciates the distinction between judgments *pro confesso* and judgments on the merits, but Oliver was not advised as to the law; he was but a layman. To him a judgment was a judgment, no matter how obtained, and to permit this witness to tell the jury that this judgment of confession was of as great or possibly greater value than the judgment obtained against the Tonopah Belmont Company after a litigation strenuously fought, undoubtedly made the jury believe that a judgment's a judgment "for a' that". As a fact they are not. A judgment by confession admits nothing more than that the defendant in the action says that he has infringed a patent, but this is merely his opinion, which is not binding on the world at large. A judgment on its merits, that such and such patents have been infringed, in such and such a way, carries weight in every other tribunal. Not only this, but, as above stated, the question involved in the case was the value of Mr. Taugher's services. How can a layman, we ask, be comeptent to testify to the value of services performed by a lawyer? Is that not a question for lawyers themselves to determine, and are not lawyers the only experts who should be permitted to testify? In the early case of

Hart v. Vidal, 6 Cal. 56,

it is said:

> "Newland was an incompetent witness to prove the value of Hart's legal services; he was not a lawyer and therefore not such an expert as the rules of evidence admit."

See, also,

Hawley v. Smith, 108 Mich. 350.

Last but by no means least, it is urged that in permitting Oliver to testify as to the value of the services performed by Mr. Taugher, i. e., the value of the confession judgment itself, the court was taking away from the jury the fact in issue.

In Hastings v. Steamer "Uncle Sam", 10 Cal. 341, the facts show that Hastings was detained, and perhaps unduly and unlawfully, on the Isthmus of Panama.

> "To arrive at the damage sustained by the plaintiff by reason of his detention on the Isthmus the witness Hubbs was permitted against the objection of the defendant to give his estimate of the value of the plaintiff's services per day. These the witness placed as high as one hundred dollars a day. * * * The testimony was clearly improper. The opinion of witnesses is generally admissible only when they relate to matters of science, art or skill in some particular profession or business. *The estimate of the witness Hubbs was but his judgment from facts and could not be substituted for that of the jury.*"

If in the case at bar evidence had been introduced as to the value or number of the infringements, and the further fact that judgments had been obtained holding that persons operating in a manner similar to the infringers where responsible to plaintiff in

error in damage, then the jury could for itself determine the value of such judgments when obtained and the likelihood and probability of causing other infringers to settle their liability.

The testimony of Oliver was of the wildest speculation. He could only say that in his judgment and perhaps his experience, the fact that two courts had permitted the recovery of damages for infringements, would make other persons who were still infringing more likely to settle their claims. The jury were the essential judges of matters of this kind. It was for them to determine from the facts stated what the probabilities will be. No witness should ever be permitted to trespass upon this province of the jury. We are not here contending that expert testimony as to certain matters is not admissible. The point attempted to be elucidated is that a witness should never be permitted to give his opinion upon the very question that the jury is called upon to decide, to wit, in the instant case the value of Taugher's services. This is especially true as to matters which the layman—the man on the street—can decide as well as the expert.

The opinion of the witness Oliver as to the value of the confession judgment if based upon any data at all was upon data that it was perfectly easy for him to state to the jury, and from which if once stated an ordinary jury could make as just and fair a determination of the value of Taugher's services as could the witness Oliver himself. At best, the fixing of the value of the services was conjectural and the making of

this conjecture should have been by the jury and not by the witness Oliver. It is true that Oliver had stated his familiarity with the patent situation and matters relating to filters generally, but how can this court tell what was in the mind of the witness Oliver; what facts and what data he took into consideration when and in answer to the question as to value of the confession judgment he stated to the court and jury that the judgment was of great value?

Later (Tr. p. 49) it appears that Oliver placed the value of this judgment at from thirty to fifty thousand dollars. The condition of the record is such that we are foreclosed from an argument to the effect that the admission of this testimony was error. The testimony, however, is before this court as evidence of what value Oliver placed upon the judgment. In other words, this court can see that when the witness Oliver, in answer to the question objected to, replied: "It is difficult to put in dollars and cents. It came at the psychological moment," he had in mind a value in dollars and cents of from thirty to fifty thousand dollars.

This last quotation from the testimony of Oliver aptly illustrates the thought that is in the mind of the writer. The witness states that the confession judgment came at the psychological moment. We have heard of the psychological moment ever since the treaty that ended the Russo-Japanese war. We all are students of psychology. We submit, however, that none of us are experts on psychology. Oliver was no more competent to determine the

question of whether or no this confession judgment came at the psychological moment than was any one of the twelve men who sat on the jury. That Oliver's value as to this judgment is affected by the fact that he thought that the same came at the psychological moment is evident. But was it not the duty of the jury and not the duty of Oliver to determine whether or no the psychological moment had arrived? What facts, we ask, had Oliver in his possession that enabled him to determine the psychological moment? We submit that the value of Mr. Taugher's services was no greater because the judgment was obtained at the apt moment than if the same had been obtained months before or after the date that Mr. Oliver fixes as the "psychological moment".

Baltimore etc. Co. v. Sattler, 100 Md. 306-30:

> "The eighth exception was taken to the admission of certain testimony of Mr. Hook, who testified as an expert on the ventilation and construction of tunnels. The testimony objected to was this: That in his opinion the quantity of smoke cast on Mr. Sattler's land was increased by the existence of the tunnels in the neighborhood over what it would have been if there had been no tunnels there. It does not appear to us that the fact proposed to be proved by this witness is such testimony as can be given by an expert. The court, or any member of the jury, knew quite as well as the witness that, if the road ran all the way through an open cut, the smoke would be distributed all along the whole distance, and necessarily there could not be so much of it at any particular point. * * * The general rule, of course, is that facts, and not opinions, must

be given in evidence. Expert testimony is a well known exception to this settled rule; and the question, then, is whether the testimony just referred to is included within the exception. The rule in regard to the admissibility of expert testimony is well settled. In the case of Stumore v. Shaw, 68 Md. 19, it is thus stated by the late Judge Miller, who delivered the opinion of the court: 'There is a general concurrence of authority and decisions in support of the proposition that expert testimony is not admissible upon a question which the court or jury can themselves decide upon the facts; or, stated in other words, if the relation of facts and their probable results can be determined without special skill or study, the facts themselves must be given in evidence, and the conclusion or inferences drawn by the jury.' * * * 'Where the question can be decided by such experience and knowledge as are ordinarily found in the common walks of life, the jury are competent to draw the proper inferences from the facts, without hearing the opinions of witnesses.' Turnpike v. Leonhardt, 66 Md. 73. Without undertaking to lay down any general rule, it appears to us, that certainly so far as the proof of the fact of damage is concerned, there ought not to be any doubt. It can hardly be said that it requires either special knowledge or skill to enable a witness who has seen the property in question, and who has observed the effect of the alleged injurious acts, to say whether the condition thereby produced is beneficial or otherwise. Strictly speaking, perhaps, no witness, whether expert or not, should be allowed to draw from the facts the conclusion that the property is damaged, for the jury are quite as competent to do that as the witness. * * * It is not desirable to enlarge the limits within which expert testimony is admissible, and whenever the ultimate facts desirable to be proved is, from the nature

of the issue, especially confided to the jury, such evidence should be rigidly excluded. The object for which the jury is sworn—that is to say, if they find there is damage—is to find the extent of it measured in dollars and cents. But to allow the expert to give such testimony not only puts him in the place of the jury, but permits him to indulge in mere speculation. Witnesses who are competent for that purpose may testify as to the value of the property before and after the alleged injury, but it by no means follows that the injury is the sole cause of the diminution, if any exists. Whether it is or not, or to what extent, is for the jury, and not the witness to determine. * * * But it has often been said that it would be inconsistent to hold that testimony as to the exact amount of damage is not admissible, and at the same time admit proof of value before and after the injury, leaving it to the jury only to make the simple calculation involved in subtracting the one value from the other. But the error of this view, we think, consists in assuming that that is the only duty the jury have to perform in this respect. We have already indicated our view in regard to the respective provinces of the jury and the witnesses in this important matter. In Railway Co. v. Gardner, 45 Ohio St. 323, the supreme court of that state held that the primary facts which enable the jury to determine the extent of the injury are the values of the land before and after the alleged tort. 'If it be contended,' said Chief Justice Owen, 'that when a witness has stated what, in his opinion, is the difference in value of the land before and after the location of the road, or how much less it is worth after than before, he has substantially stated the substantive fact to be ascertained (that is to say, the amount of damage), the obvious answer is that he is by this form of inquiry (that is, the inquiry,

> 'how much is the damage?') left to estimate in his own mind the amount of damages sustained, and give this to the jury as the difference in value. There is no assurance that he will, in making his estimate, take into account the actual value before and after the location of the road. Indeed, there is no assurance that he may have an intelligent opinion of the value of the land affected before or after such location, except that he has qualified himself in the opinion of the court as a witness.' *It is, of course, no answer to say that the witness may be cross examined, for that has never been considered a test of the competency of a witness or the admissibility of testimony.*"

Reference was made in the Baltimore case to the case of Roberts v. New York etc. Railroad, 128 N. Y. 464. In the Roberts case (one of the leading cases, if not the leading case, on this question of opinion evidence) the following question and answer were held objectionable:

> "To what extent, if at all, in your judgment, is the value of Mr. Roberts' four buildings—to what extent in your judgment is the value of that property damaged, if at all, by the presence of the structure and the running of the trains?"

We quote from the opinion:

> "The reason is that the rule of damage is a question of law and the witness upon such a question might adopt a rule of his own and hold the defendants responsible beyond the legal measure."

In passing, we ask what rule of his own, or any other person, did the witness Oliver adopt in determining the value of the confession judgment?

Continuing the quotation:

> "The present value of the property of the plaintiff can be proved by expert evidence. * * * They are facts which now exist, or which once existed; and, if the expert had knowledge of them, he should be permitted to state it. As to what the value would have been under wholly different circumstances, he knows and can know nothing, but must form an opinion wholly speculative in its nature, which opinion must be based upon data perfectly easy for him to state, and from which, when once stated, an ordinarily intelligent jury can draw just as fair an inference of the possible value as could the expert. And that very inference must in some way be drawn by the jury, for it is the question it is called upon to decide. The opinion of the expert, if of the least value, would have to be based upon an intelligent consideration and knowledge of the value of other property as nearly as may be similarly situated, in and about the same quarter of the town, and under nearly the same circumstances, but without the presence of a railroad of the nature of the defendants in front of the property. All this information he could easily impart to the jury. * * * When they are all stated, and past, and present values proved, the jury or the court will be as fully competent to draw the inference which it is its peculiar province and duty to draw as the expert."

In the brief of counsel in the Roberts case we find the following specifications of reasons why opinion evidence of the kind here under discussion should be excluded:

"1. It encroaches upon the functions of the jury or other appointed triers of fact.

2. It violates the rule that opinion evidence shall be received only in cases of necessity.

3. It involves a conclusion of the witness upon a matter of law.

4. The formation of such conclusion does not appertain to any science, art, trade or occupation known to mankind.

5. The matter is one upon which judges and jurors are as competent to pass as any witness when a necessary fact as to value and sources of value are placed before them.

6. Such conclusions are conjectural and can have no certain or definite basis of fact.

7. The admission of such evidence tends to induce an omission to prove the facts necessary for independent and intelligent decision of the question.

8. Such evidence cannot be decided or contradicted by proof of facts.

9. Such evidence affords an ample field for bias and corruption and is contrary to the policy of the law."

Western Union Co. v. Ring, 102 Md. 677:

> "There was error in the seventh and eighth exceptions with respect to the rulings therein set out. In the seventh exception a witness had testified that he knew plaintiff's premises and the trees to which the suit had relation; that he had seen that the trees had been cut—three walnuts and some cedars, and that the trees had been injured by the cutting. In the seventh exception, it appears he was then asked:

> 'Give to the jury an estimate of the damage that was done to them, whether they were your trees or the trees of anybody else,—what was the actual damage done to those trees by their being cut as you saw them?' Against the objection of the defendant the witness was permitted to give in exact figures his estimate or judgment of the damage. It was the function of the jury to give this estimate or judgment. The witness could go no further than to give the facts within his knowledge that had caused injury and the fact that damage had resulted."

After quotation from the Baltimore etc. Co. v. Sattler, supra, to the effect that it was error to have permitted experts to give their opinion as to the facts, as well as to amount of damage, the opinion in the Ring case proceeds:

> "If, therefore, the evidence set out in the exception now under consideration was intended to be offered as from an expert witness, nothing more needs to be said than that it is within the ruling of the case just cited. If the witness of whom the question objected to was asked was not intended to be qualified as an expert, then the evidence offered was not within the exception to the general rule which excludes opinion testimony, a rule the limts of which, it is intimated in the opinion just cited, ought not to be enlarged, and which we may here sav is a most salutary one in its operation as a restraint upon testimony which otherwise too often would be the result more of bias, recklessness of statement, and mere speculation than of judgment calmly and intelligently applied to the relevant facts."

In conclusion we urge on the court that the witness Oliver should never have been permitted to give his opin=

ion on the value of the confession judgment. It is apparent that the answer could not have been founded on any fact or set of facts. No experience or comparison could assist in determining the value of the judgment, for in the words of the trial court (Tr. p. 47), the value of the default decree "was more or less potential—you might say, in a sense intangible, dependent upon the use which was made of the fact that such a decree had been procured". Again, "the value to the Moore Filter Company of this decree if further availed of by them for the purpose for which it was available".

The question dealt not with the past or the present, but rather the future, as to which naught but the Divine Being can foretell. In short, the question asked was unanswerable and therefore not subject to expert opinion for the answer could not be contradicted by proof of any set of facts.

That the testimony of Oliver was harmful to plaintiff in error, that by his evidence the jury unconsciously and undoubtedly placed a greater value on Mr. Taugher's services than they would have done if such testimony had not been before them, requires no argument or citation of authority.

Wherefore, it is respectfully submitted that the decree and judgment rendered in the above entitled cause should be reversed.

Dated, San Francisco,
October 28, 1916.

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